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**THE SHAW GROUP INC.  
2008 OMNIBUS INCENTIVE PLAN**

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## Article 1. Establishment, Purpose and Duration

- 1.1 Establishment.** The Shaw Group Inc., a Louisiana corporation (hereinafter referred to as the “Company”), establishes an incentive compensation plan to be known as The Shaw Group Inc. 2008 Omnibus Incentive Plan (hereinafter referred to as, the “Plan”), as set forth in this document. This Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Other Stock-Based Awards. This Plan shall become effective upon shareholder approval (the “Effective Date”) and shall remain in effect as provided in Section 1.3.
- 1.2 Purpose of this Plan.** The purpose of this Plan is to provide a means whereby Employees, Directors, and Third-Party Service Providers of the Company develop a sense of proprietorship and personal involvement in the development and financial success of the Company and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. A further purpose of this Plan is to provide a means through which the Company may attract able individuals to become Employees or Third-Party Service Providers of the Company and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company are of importance can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company and its shareholders.
- 1.3 Duration of this Plan.** Unless sooner terminated as provided herein, this Plan shall terminate ten (10) years from the Effective Date. After this Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and this Plan’s terms and conditions.

## Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

- 2.1 “Affiliate”** shall mean any corporation or other entity (including, but not limited to, a partnership or a limited liability company), that is affiliated with the Company through stock or equity ownership or otherwise, and is designated as an Affiliate for purposes of this Plan by the Committee.
- 2.2 “Annual Award Limit” or “Annual Award Limits”** have the meaning set forth in Section 4.3.
- 2.3 “Award”** means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards or Other Stock-Based Awards, in each case subject to the terms of this Plan.
- 2.4 “Award Agreement”** means either (i) a written or electronic agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan, including any amendment or modification thereof, or (ii) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of such Award, including any amendment or modification thereof. The Committee may provide for the use

of electronic, Internet or other non-paper Award Agreements, and the use of electronic, Internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

- 2.5** “**Beneficial Owner**” or “**Beneficial Ownership**” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
- 2.6** “**Board**” or “**Board of Directors**” means the Board of Directors of the Company.
- 2.7** “**Cash-Based Award**” means an Award, denominated in cash, granted to a Participant as described in Article 12.
- 2.8** “**Cause**” means, unless otherwise specified in an Award Agreement or in an applicable employment agreement between the Company and a Participant, with respect to any Participant:
- (a) Willful failure to substantially perform his or her duties as an Employee (for reasons other than physical or mental illness) or Director after reasonable notice to the Participant of that failure;
  - (b) A fraud against, or theft of property of, the Company or any Subsidiary or Affiliate;
  - (c) Conviction of, or entering into a plea of *nolo contendere* or guilty to, a felony or a misdemeanor offense involving violent or dishonest behavior under the laws of the United States or any State;
  - (d) Gross negligence or willful misconduct that causes, or the knowing failure to take reasonable and appropriate action to prevent, any material injury to the financial condition or business reputation of the Company or any Subsidiary or Affiliate; or
  - (e) A material breach of any written covenant or agreement with the Company or any Subsidiary or Affiliate.
- 2.9** “**Change of Control**” means a “change in ownership,” a “change in effective control,” or a “change in the ownership of substantial assets” of the Company.
- (a) A “change in ownership” of the Company occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company. However, if any one person, or more than one person acting as a group, is considered to own more than 50% percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons is not considered to cause a change in ownership of the Company (or to cause a change in the effective control of the Company (within the meaning of paragraph (b) below)
  - (b) Notwithstanding that the Company has not undergone a change in ownership under paragraph (a) above, a “change in effective control” of the Company occurs on the date that a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this paragraph (b), the term “Company” refers solely to the relevant corporation identified in the opening paragraph of this Agreement, for which no other corporation is a majority shareholder.

- (c) A “change in the ownership of substantial assets” of the Company occurs on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 75% percent of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, “gross fair market value” means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.
- 2.10** “**Code**” means the U.S. Internal Revenue Code of 1986, as amended from time to time. For purposes of this Plan, references to sections of the Code shall be deemed to include references to any applicable regulations thereunder and any successor or similar provision.
- 2.11** “**Commission**” means the Securities and Exchange Commission.
- 2.12** “**Committee**” means the Compensation Committee of the Board or a subcommittee thereof or any other committee designated by the Board to administer this Plan. The members of the Committee shall be appointed from time to time by and shall serve at the discretion of the Board. If the Committee does not exist or cannot function for any reason, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.
- 2.13** “**Company**” means The Shaw Group Inc., a Louisiana corporation, and any successor thereto as provided in Article 22.
- 2.14** “**Covered Employee**” means any Employee who is or may become a “Covered Employee,” as defined in Code Section 162(m), and who is designated, either as an individual Employee or class of Employees, by the Committee within the shorter of (i) 90 days after the beginning of the Performance Period, or (ii) 25% of the Performance Period has elapsed, as a “Covered Employee” under this Plan for such applicable Performance Period.
- 2.15** “**Director**” means any individual who is a member of the Board of Directors of the Company.
- 2.16** “**Disability**” has the meaning assigned to such term in Code Section 22(e)(3).
- 2.17** “**Dividend Equivalent**” means a credit, made at the discretion of the Committee, to the account of a Participant in an amount equal to the dividends paid on one Share for each Share represented by an Award held by such Participant
- 2.18** “**Effective Date**” has the meaning set forth in Section 1.1.
- 2.19** “**Employee**” means any individual performing services for the Company, an Affiliate or a Subsidiary and designated as an employee of the Company, the Affiliate or the Subsidiary on its payroll records. An Employee shall not include any individual during any period he or she is classified or treated by the Company, Affiliate or Subsidiary as an independent contractor, a consultant or an employee of an employment, consulting or temporary agency or any other entity other than the Company, Affiliate or Subsidiary, without regard to whether such individual is subsequently determined to have been, or is subsequently retroactively reclassified, as a common-law employee of the Company, Affiliate or Subsidiary during such period. An individual shall not cease to be an Employee in the case of (i) any leave of absence approved by the

Company or (ii) transfers between locations of the Company or between the Company, any Affiliates or any Subsidiaries. For purposes of Incentive Stock Options, no such leave may exceed 90 days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three months following the 91st day of such leave, any Incentive Stock Option held by a Participant shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonqualified Stock Option. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

- 2.20** "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.
- 2.21** "Extraordinary Items" means (i) extraordinary, unusual and/or nonrecurring items of gain or loss; (ii) gains or losses on the disposition of a business; (iii) changes in tax or accounting regulations or laws; or (iv) the effect of a merger or acquisition, all of which must be identified in the audited financial statements, including footnotes, or the Management Discussion and Analysis section of the Company's annual report.
- 2.22** "Fair Market Value" or "FMV" means, as applied to a specific date, the price of a Share that is based on the opening, closing, actual, high, low or average selling prices of a Share reported on any established stock exchange or national market system including without limitation the New York Stock Exchange and the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System on the applicable date, the preceding trading day, the next succeeding trading day, or an average of trading days, as determined by the Committee in its discretion. Unless the Committee determines otherwise, Fair Market Value shall be deemed to be equal to the closing price of a Share on the most recent date on which Shares were publicly traded.
- 2.23** "Full Value Award" means an Award other than in the form of an ISO, NQSO or SAR that is settled by the issuance of Shares.
- 2.24** "Grant Date" means the date an Award is granted to a Participant pursuant to the Plan.
- 2.25** "Grant Price" means the price established at the time of grant of an SAR pursuant to Article 7.
- 2.26** "Incentive Stock Option" or "ISO" means an Option to purchase Shares granted under Article 6 to an Employee that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422 or any successor provision.
- 2.27** "Insider" shall mean an individual who is, on the relevant date, an officer (as defined in Rule 16a-1(f) (or any successor provision) promulgated by the Commission under the Exchange Act) or Director of the Company, or a more than 10% Beneficial Owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board in accordance with Section 16 of the Exchange Act.
- 2.28** "Nonemployee Director" means a Director who is not an Employee.

- 2.29** “**Nonemployee Director Award**” means any NQSO, SAR or Full Value Award granted, whether singly, in combination or in tandem, to a Participant who is a Nonemployee Director pursuant to such applicable terms, conditions and limitations as the Board or Committee may establish in accordance with this Plan.
- 2.30** “**Nonqualified Stock Option**” or “**NQSO**” means an Option that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.
- 2.31** “**Option**” means an Award granted to a Participant pursuant to Article 6, which Award may be an Incentive Stock Option or a Nonqualified Stock Option.
- 2.32** “**Option Price**” means the price at which a Share may be purchased by a Participant pursuant to an Option.
- 2.33** “**Other Stock-Based Award**” means an equity-based or equity-related Award not otherwise described by the terms of this Plan that is granted pursuant to Article 12.
- 2.34** “**Participant**” means any eligible individual as set forth in Article 5 to whom an Award is granted.
- 2.35** “**Performance-Based Compensation**” means compensation under an Award that is intended to satisfy the requirements of Code Section 162(m) for certain performance-based compensation paid to Covered Employees. Notwithstanding the foregoing, nothing in this Plan shall be construed to mean that an Award that does not satisfy the requirements for performance-based compensation under Code Section 162(m) does not constitute performance-based compensation for other purposes, including Code Section 409A.
- 2.36** “**Performance Measures**” means measures, as described in Article 14, upon which performance goals are based and that are approved by the Company’s shareholders pursuant to this Plan in order to qualify Awards as Performance-Based Compensation.
- 2.37** “**Performance Period**” means the period of time during which pre-established performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.
- 2.38** “**Performance Share**” means an Award granted to a Participant pursuant to Article 10.
- 2.39** “**Performance Unit**” means an Award granted to a Participant pursuant to Article 11.
- 2.40** “**Period of Restriction**” means the period when Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals or upon the occurrence of other events as determined by the Committee, in its discretion) as provided in Articles 8 and 9.
- 2.41** “**Person**” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.
- 2.42** “**Plan**” means The Shaw Group Inc. 2008 Omnibus Incentive Plan, as the same may be amended from time to time.
- 2.43** “**Plan Year**” means the Company’s fiscal year.

- 2.44** “**Prior Plans**” means The Shaw Group Inc. 2001 Employee Incentive Compensation Plan, as amended and restated through November 2, 2007 and the 2005 Non-Employee Director Stock Incentive Plan, as amended and restated through November 2, 2007.
- 2.45** “**Restricted Stock**” means an Award granted to a Participant pursuant to Article 9.
- 2.46** “**Restricted Stock Unit**” means an Award granted to a Participant pursuant to Article 9 that represents an unfunded and unsecured promise to deliver Shares, some other form of payment, or a combination thereof in accordance with the terms of the applicable Award Agreement.
- 2.47** “**Share**” means a share of common stock of the Company, no par value per share.
- 2.48** “**Stock Appreciation Right**” or “**SAR**” means an Award designated as an SAR pursuant to the terms of Article 7.
- 2.49** “**Subsidiary**” means any corporation or other entity, whether domestic or foreign, in which the Company has or obtains, directly or indirectly, an interest of more than 50% by reason of stock ownership or otherwise.
- 2.50** “**Third-Party Service Provider**” means any consultant, agent, advisor or independent contractor who renders services to the Company, a Subsidiary or an Affiliate that (a) are not in connection with the offer and sale of the Company’s securities in a capital raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company’s securities.

### **Article 3. Administration**

- 3.1** **General.** The Committee shall be responsible for administering this Plan, subject to this Article 3 and the other provisions of this Plan. The Committee may employ attorneys, consultants, accountants, agents and other individuals, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such individuals. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, any Affiliate or Subsidiary, and all other interested individuals.
- 3.2** **Authority of the Committee.** Subject to any express limitations set forth in the Plan, the Committee shall have full and exclusive discretionary power and authority to take such actions as it deems necessary and advisable with respect to the administration of the Plan including, but not limited to, the following:
- (a) To determine from time to time which of the persons eligible under the Plan shall be granted Awards, when and how each Award shall be granted, what type or combination of types of Awards shall be granted, the provisions of each Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Shares pursuant to an Award, and the number of Shares subject to an Award;
  - (b) To construe and interpret the Plan and Awards granted under it, and to establish, amend, and revoke rules and regulations for its administration. The Committee, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in an Award

Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective;

- (c) To approve forms of Award Agreements for use under the Plan;
- (d) To determine Fair Market Value of a Share in accordance with Section 2.19 of the Plan;
- (e) To amend the Plan or any Award Agreement as provided in the Plan;
- (f) To adopt sub-plans and/or special provisions applicable to stock awards regulated by the laws of a jurisdiction other than and outside of the United States. Such sub-plans and/or special provisions may take precedence over other provisions of the Plan, but unless otherwise superseded by the terms of such sub-plans and/or special provisions, the provisions of the Plan shall govern;
- (g) To authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Board;
- (h) To determine whether Awards will be settled in shares of common stock, cash or in any combination thereof;
- (i) To determine whether Awards will be adjusted for Dividend Equivalents;
- (j) To establish a program whereby Participants designated by the Committee may reduce compensation otherwise payable in cash in exchange for Awards under the Plan;
- (k) To authorize a program permitting eligible Participants to surrender outstanding Awards in exchange for newly granted Awards;
- (l) To impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by a Participant or other subsequent transfers by a Participant of any Shares, including, without limitation, (i) restrictions under an insider trading policy and (ii) restrictions as to the use of a specified brokerage firm for such resales or other transfers; and
- (m) To provide, either at the time an Award is granted or by subsequent action, that an Award shall contain as a term thereof, a right, either in tandem with the other rights under the Award or as an alternative thereto, of the Participant to receive, without payment to the Company, a number of Shares, cash or a combination thereof, the amount of which is determined by reference to the value of Shares.

**3.3 Delegation.** The Committee may delegate to one or more of its members or to one or more officers of the Company or any Subsidiary or Affiliate or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or any individuals to whom it has delegated duties or powers as aforesaid may employ one or more individuals to render advice with respect to any responsibility the Committee or such individuals may have under this Plan. The Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as can the Committee: (a) designate Employees to be recipients of Awards; and (b) determine the size of any such Awards; provided , however , (i) the Committee shall not delegate such responsibilities to any such officer for Awards granted to an Employee who is considered an Insider; (ii) the resolution providing such authorization sets forth the total number of Awards such officer(s) may grant; and (iii) the officer(s) shall report periodically to the Committee regarding the nature and scope of the



Awards granted pursuant to the authority delegated.

#### **Article 4. Shares Subject to This Plan and Maximum Awards**

**4.1 Number of Shares Authorized and Available for Awards.** The number of Shares authorized and available for Awards under the Plan shall be determined in accordance with the following provisions:

- (a) Subject to adjustment as provided in Section 4.4 of the Plan, the maximum number of Shares available for issuance under the Plan shall be 4.5 million Shares plus the number of Shares subject to Awards outstanding under the Prior Plans as of Effective Date but only to the extent that such outstanding Awards are forfeited, expire or otherwise terminate without the issuance of such Shares. To the extent that a Share is issued pursuant to the grant or exercise of a Full Value Award, it shall reduce the number of Shares reserved under the Plan by 1.57 Shares, and to the extent that a Share is issued pursuant to the grant or exercise of an Award other than a Full Value Award, it shall reduce the number of Shares reserved under the Plan by 1.00 Share.
- (b) The maximum number of Shares that may be issued pursuant to ISOs under the Plan shall be 4.5 million Shares.

**4.2 Share Usage.** Shares covered by an Award shall be counted as used only to the extent they are actually issued; provided, however, the full number of Stock Appreciation Rights granted that are to be settled by the issuance of Shares shall be counted against the number of Shares available for award under the Plan, regardless of the number of Shares actually issued upon settlement of such Stock Appreciation Rights and the full number of Options granted that are exercised and settled by the issuance of Shares shall be counted against the number of Shares available for award under the Plan, regardless of the number of Shares actually issued upon exercise of such

Options. Further, any Shares withheld to satisfy tax withholding obligations on Awards issued under the Plan and Shares tendered to pay the exercise price of Awards under the Plan will no longer be eligible to be returned as available Shares under the Plan. Any Shares related to Awards under this Plan that terminate by expiration, forfeiture, cancellation or otherwise without the issuance of the Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission, prior to the issuance of Shares, for Awards not involving Shares shall be available again for grant under this Plan. The Shares available for issuance under this Plan may be authorized and unissued Shares or treasury Shares.

**4.3 Annual Award Limits.** Unless and until the Committee determines that an Award to a Covered Employee shall not be designed to qualify as Performance-Based Compensation, the following limits, as adjusted pursuant to Sections 4.4 and 20.2, shall apply to grants of such Awards under this Plan:

- (a) **Options and SARs:** The maximum aggregate number of Shares subject to Options and SARs granted to any one Participant in any one Plan Year shall be 2.5 million.
- (c) **Restricted Stock and Restricted Stock Units:** The maximum aggregate number of Shares subject to Restricted Stock and Restricted Stock Units granted to any one Participant in any one Plan Year shall be 500,000.

- (e) **Performance Units:** The maximum aggregate amount awarded or credited with respect to Performance Units to any one Participant in any one Plan Year may not exceed \$2,000,000 determined as of the date of payout.
- (f) **Performance Shares:** The maximum aggregate number of Shares subject to Performance Shares that a Participant may receive in any one Plan Year shall be 100,000 Shares determined as of the date of payout.
- (g) **Cash-Based Awards:** The maximum aggregate amount awarded or credited with respect to Cash-Based Awards to any one Participant in any one Plan Year may not exceed \$10 million determined as of the date of payout.
- (h) **Other Stock-Based Awards:** The maximum aggregate number of Shares subject to an Other Stock-Based Awards to any one Participant in any one Plan Year may not exceed 100,000 Shares determined as of the date of payout.

**4.4 Adjustments in Authorized Shares.** Adjustment in authorized Shares available for issuance under the Plan or under an outstanding Award and adjustments in Annual Award Limits shall be subject to the following provisions:

- (a) In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company), such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, split up, spin-off or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind or other like change in capital structure, number of outstanding Shares or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in order to prevent dilution or enlargement of Participants' rights under this Plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under this Plan or under particular forms of Awards, the number and kind of Shares subject to outstanding Awards, the Option Price or Grant Price applicable to outstanding Awards, the Annual Award Limits and other value determinations applicable to outstanding Awards; provided that the Committee, in its sole discretion, shall determine the methodology or manner of making such substitution or adjustment.
- (b) The Committee, in its sole discretion, may also make appropriate adjustments in the terms of any Awards under this Plan to reflect or related to such changes or distributions and to modify any other terms of outstanding Awards, including modifications of performance goals and changes in the length of Performance Periods.
- (c) The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under this Plan.
- (d) Subject to the provisions of Article 19 and notwithstanding anything else herein to the contrary, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with the rules under Code Sections 422 and 424, as and where applicable.

## Article 5. Eligibility and Participation

- 5.1 Eligibility.** Individuals eligible to participate in this Plan include all Employees, Directors and Third-Party Service Providers.
- 5.2 Actual Participation.** Subject to the provisions of this Plan, the Committee may, from time to time, select from all eligible individuals, those individuals to whom Awards shall be granted and shall determine, in its sole discretion, the nature of, any and all terms permissible by law, and the amount of each Award.

## Article 6. Stock Options

- 6.1 Grant of Options.** Subject to the terms and provisions of this Plan, an Option may be granted to a Participant in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion.
- 6.2 Option Award Agreement.** Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the term of the Option, the number of Shares to which the Option pertains, the conditions upon which the Option shall become vested and exercisable, and such other provisions as the Committee shall determine that are not inconsistent with the terms of this Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or an NQSO.
- 6.3 Option Price.** The Option Price for each grant of an Option shall be determined by the Committee in its sole discretion and shall be specified in the Award Agreement; provided , however , the Option Price must be at least equal to 100% of the FMV of a Share as of the Option's Grant Date, subject to adjustment as provided for under Section 4.4.
- 6.4 Term of Option.** The term of an Option granted to a Participant shall be determined by the Committee, in its sole discretion; provided, however, no Option shall be exercisable later than the tenth anniversary date of its grant. Notwithstanding the foregoing, for Nonqualified Stock Options granted to Participants outside the United States, the Committee has the authority to grant Nonqualified Stock Options that have a term greater than ten years.
- 6.5 Exercise of Option.** An Option shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant.
- 6.6 Payment.** An Option shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures that may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares. A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Option Price. The Option Price of any exercised Option shall be payable to the Company in accordance with one of the following methods:
- (a) In cash or its equivalent;
  - (b) By tendering (either by actual delivery or attestation) previously acquired Shares having

an aggregate Fair Market Value at the time of exercise equal to the Option Price;

- (c) By a cashless (broker-assisted) exercise;
- (d) By any combination of (a), (b) and (c); or
- (e) Any other method approved or accepted by the Committee in its sole discretion.

Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option. Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars or Shares, as applicable.

**6.7 Termination of Employment.** Each Award Agreement shall set forth the extent to which a Participant shall have the right to exercise an Option following termination of the Participant's employment or provision of services to the Company or any Affiliate or Subsidiary, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options, and may reflect distinctions based on the reasons for termination.

**6.8 Special Rules Regarding ISOs.** Notwithstanding any provision of the Plan to the contrary, an Option granted in the form of an ISO to a Participant shall be subject to the following rules:

(a) **Special ISO definitions:**

- (i) "Parent Corporation" shall mean as of any applicable date a corporation in respect of the Company that is a parent corporation within the meaning of Code Section 424(e).
- (ii) "ISO Subsidiary" shall mean as of any applicable date any corporation in respect of the Company that is a subsidiary corporation within the meaning of Code Section 424(f).
- (iii) A "10% Owner" is an individual who owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or its Parent Corporation or any ISO Subsidiary.

- (b) **Eligible employees.** An ISO may be granted solely to eligible Employees of the Company, Parent Corporation, or ISO Subsidiary.
- (c) **Specified as an ISO.** An Award Agreement evidencing the grant of an ISO shall specify that such grant is intended to be an ISO.
- (d) **Option price.** The Option Price of an ISO granted shall be determined by the Committee in its sole discretion and shall be specified in the Award Agreement; provided, however, the Option Price must be at least equal 100% of the Fair Market Value of a Share as of the ISO's Grant Date (in the case of 10% owners, the Option Price may not be not less than 110% of such Fair Market Value), subject to adjustment

provided for under Section 4.4.

- (e) **Right to exercise.** Any ISO granted to a Participant shall be exercisable during his or her lifetime solely by such Participant.
- (f) **Exercise period.** The period during which a Participant may exercise an ISO shall not exceed ten years (five years in the case of a Participant who is a 10% owner) from the date on which the ISO was granted.
- (g) **Termination of employment.** In the event a Participant terminates employment due to death or Disability, the Participant (or, in the case of death, the person(s) to whom the Option is transferred by will or the laws of descent and distribution) shall have the right to exercise the Participant's ISO award during the period specified in the applicable Award Agreement solely to the extent the Participant had the right to exercise the ISO on the date of his death or Disability; as applicable, provided, however that such period may not exceed one year from the date of such termination of employment or if shorter, the remaining term of the ISO. In the event a Participant terminates employment for reasons other than death or disability, the Participant shall have the right to exercise the Participant's ISO during the period specified in the applicable Award Agreement solely to the extent the Participant had the right to exercise the ISO on the date of such termination of employment; provided, however, that such period may not exceed three months from the date of such termination of employment or if shorter, the remaining term of the ISO.
- (h) **Dollar limitation.** To the extent that the aggregate Fair Market Value of (a) the Shares with respect to which Options designated as Incentive Stock Options plus (b) the shares of stock of the Company, Parent Corporation and any ISO Subsidiary with respect to which other Incentive Stock Options are exercisable for the first time by a holder of an ISO during any calendar year under all plans of the Company and any Affiliate and Subsidiary exceeds \$100,000, such Options shall be treated as Nonqualified Stock Options. For purposes of the preceding sentence, (a) Options shall be taken into account in the order in which they were granted, and (b) the Fair Market Value of the Shares shall be determined as of the time the Option or other incentive stock option is granted.
- (i) **Duration of plan.** No ISO may be granted more than ten years after the earlier of (a) adoption of this Plan by the Board and (b) the Effective Date.
- (j) **Notification of disqualifying disposition.** If any Participant shall make any disposition of Shares issued pursuant to the exercise of an ISO, such Participant shall notify the Company of such disposition within 30 days thereof. The Company shall use such information to determine whether a disqualifying disposition as described in Code section 421(b) has occurred.
- (k) **Transferability.** No ISO may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided, however, at the discretion of the Committee, an ISO may be transferred to a grantor trust under which Participant making the transfer is the sole beneficiary.

## Article 7. Stock Appreciation Rights

- 7.1 Grant of SARs.** Subject to the terms and conditions of this Plan, an SAR may be granted to a Participant in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion.
- 7.2 SAR Award Agreement.** Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, the number of shares to which the SAR pertains, the conditions upon which the SAR shall become vested and exercisable, and such other provisions as the Committee shall determine that are not inconsistent with the terms of this Plan.
- 7.3 Grant Price.** The Grant Price for each grant of an SAR shall be determined by the Committee and shall be specified in the Award Agreement; provided, however, the Grant Price must be at least equal to 100% of the FMV of a Share as of the Grant Date, subject to adjustment as provided for under Section 4.4.
- 7.4 Term of SAR.** The term of an SAR granted to a Participant shall be determined by the Committee, in its sole discretion; provided, however, no SAR shall be exercisable later than the tenth anniversary date of its grant. Notwithstanding the foregoing, for SARs granted to Participants outside the United States, the Committee has the authority to grant SARs that have a term greater than ten years.
- 7.5 Exercise of SAR.** An SAR shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant.
- 7.6 Notice of Exercise.** An SAR shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures that may be authorized by the Committee, setting forth the number of Shares with respect to which the SAR is to be exercised.
- 7.7 Settlement of SARs.** Upon the exercise of an SAR, pursuant to a notice of exercise properly completed and submitted to the Company in accordance with Section 7.6, a Participant shall be entitled to receive payment from the Company in an amount equal to the product of (a) and (b) below:
- (a) The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price.
  - (b) The number of Shares with respect to which the SAR is exercised.
- 7.8 Form of Payment.** Payment, if any, with respect to an SAR settled in accordance with Section 7.7 of the Plan shall be made in accordance with the terms of the applicable Award Agreement. If payment is made in Shares, then subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount based upon the number of Shares issued under the SAR.

**7.9 Termination of Employment.** Each Award Agreement shall set forth the extent to which a Participant shall have the right to exercise the SAR following termination of the Participant's employment with or provision of services to the Company or any Affiliate or Subsidiary, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to this Article 7, and may reflect distinctions based on the reasons for termination.

## **Article 8. Restricted Stock**

**8.1 Grant of Restricted Stock.** Subject to the terms and provisions of this Plan, Restricted Stock may be granted to a Participant in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion.

**8.2 Restricted Stock Award Agreement.** Each Restricted Stock grant shall be evidenced by an Award Agreement that shall specify the number of Shares of Restricted Stock granted, the Period of Restriction, and such other provisions as the Committee shall determine that are not inconsistent with the terms of this Plan.

**8.3 Other Restrictions.** The Committee shall impose such other conditions or restrictions on any grant of Restricted Stock granted as it may deem advisable including, without limitation, one or more of the following:

- (a) A requirement that a Participant pay a stipulated purchase price for each Share of Restricted Stock;
- (b) Restrictions based upon the achievement of specific performance goals;
- (c) Time-based restrictions on vesting following the attainment of the performance goals;
- (d) Time-based restrictions; or
- (e) Restrictions under applicable laws and restrictions under the requirements of any stock exchange or market on which such Shares are listed or traded.

**8.4 Issuance of Shares.** To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions or restrictions applicable to such Shares have been satisfied or lapse. Shares of Restricted Stock covered by each Restricted Stock grant shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapsed (including satisfaction of any applicable tax withholding obligations); provided that subject to any governing rules or regulations, as soon as practicable after such Shares become freely transferable, the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount.

**8.5 Certificate Legend.** In addition to any legends placed on certificates pursuant to Section 8.3, each certificate representing Shares of Restricted Stock granted pursuant to this Plan may bear a legend such as the following or as otherwise determined by the Committee in its sole discretion: ***The sale or transfer of Shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth***

*in The Shaw Group Inc. 2008 Omnibus Incentive Plan, and in the associated Award Agreement. A copy of this Plan and such Award Agreement may be obtained from The Shaw Group Inc.*

- 8.6 Voting Rights.** Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by law, as determined by the Committee, a Participant holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction.
- 8.7 Termination of Employment.** Each Award Agreement shall set forth the extent to which a Participant shall vest in or forfeit a Restricted Stock grant following termination of the Participant's employment with or provision of services to the Company or any Affiliate or Subsidiary, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock and may reflect distinctions based on the reasons for termination.

## **Article 9. Restricted Stock Units**

- 9.1 Grant of Restricted Stock Units.** Subject to the terms and provisions of this Plan, Restricted Stock Units may be granted to a Participant in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion. A grant of a Restricted Stock Unit or Restricted Stock Units shall not represent the grant of Shares but shall represent a promise to deliver a corresponding number of Shares based upon the completion of service, performance conditions, or such other terms and conditions as specified in the applicable Award Agreement over the Restriction Period.
- 9.2 Restricted Stock Unit Award Agreement.** Each grant of Restricted Stock Units shall be evidenced by an Award Agreement that shall specify the number of the number of Restricted Stock Units granted, the Period of Restriction, and such other provisions as the Committee shall determine that are not inconsistent with the terms of this Plan.
- 9.3 Other Restrictions.** The Committee shall impose such other conditions or restrictions on any grant of Restricted Stock Units as it may deem advisable including, without limitation, one or more of the following:
- (a) A requirement that a Participant pay a stipulated purchase price for each Restricted Stock Unit;
  - (b) Restrictions based upon the achievement of specific performance goals;
  - (c) Time-based restrictions on vesting following the attainment of the performance goals;
  - (d) Time-based restrictions; and/or
  - (e) Restrictions under applicable laws or under the requirements of any stock exchange on which Shares are listed or traded.
- 9.4 Voting Rights.** A Participant shall have no voting rights with respect to any Restricted Stock



Units granted hereunder.

- 9.5 Settlement and Payment Restricted Stock Units.** Unless otherwise elected by the Participant or otherwise provided for in the Award Agreement, Restricted Stock Units shall be settled upon the date such Restricted Stock Units vest. Such settlement may be made in Shares, cash or a combination thereof, as specified in the Award Agreement. If Restricted Stock Units are settled in Shares, then as soon as practicable following the date of settlement the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount.
- 9.6 Termination of Employment.** Each Award Agreement shall set forth the extent to which a Participant shall vest in or forfeit Restricted Stock Units following termination of the Participant's employment with or provision of services to the Company or any Affiliate or Subsidiary, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all grants of Restricted Stock Units, and may reflect distinctions based on the reasons for termination.

## **Article 10. Performance Shares**

- 10.1 Grant of Performance Shares.** Subject to the terms and provisions of this Plan, Performance Shares may be granted to a Participant in such number, and upon such terms and at any time and from time to time as shall be determined by the Committee, in its sole discretion.
- 10.2 Performance Share Award Agreement.** Each grant of Performance Shares shall be evidenced by an Award Agreement that shall specify the number of Performance Shares granted, the Performance Period over which such Performance Shares may be earned, the applicable performance measures and performance goals and such other provisions as the Committee shall determine that are not inconsistent with the terms of this Plan.
- 10.3 Value of Performance Shares.** Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the Grant Date. The Committee shall set performance goals in its discretion that, depending on the extent to which they are met over the specified Performance Period, shall determine the number of Performance Shares that shall be paid to a Participant.
- 10.4 Earning of Performance Shares.** After the applicable Performance Period has ended, the number of Performance Shares earned by the Participant over the Performance Period shall be determined as a function of the extent to which the applicable corresponding performance goals have been achieved. This determination shall be made solely by the Committee.
- 10.5 Form and Timing of Payment of Performance Shares.** The Committee shall pay at the close of the applicable Performance Period, or as soon as practicable thereafter, any earned Performance Shares in the form of cash or in Shares or in a combination thereof, as specified in a Participant's Award Agreement. Any Shares paid to a Participant under this Section 10.5 may be subject to any restrictions deemed appropriate by the Committee. If Performance Shares are settled in Shares, then as soon as practicable following the date of settlement the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount.

**10.6 Termination of Employment.** Each Award Agreement shall set forth the extent to which a Participant shall vest in or forfeit Performance Shares following termination of the Participant's employment with or provision of services to the Company or any Affiliate or Subsidiary, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Performance Shares issued pursuant to this Plan, and may reflect distinctions based on the reasons for termination.

## **Article 11. Performance Units**

**11.1 Grant of Performance Units.** Subject to the terms and provisions of this Plan, Performance Units may be granted to a Participant in such number, and upon such terms and at any time and from time to time as shall be determined by the Committee, in its sole discretion.

**11.2 Performance Share Award Agreement.** Each grant of Performance Units shall be evidenced by an Award Agreement that shall specify the number of Performance Shares granted, the Performance Period over which such Performance Units may be earned, the applicable performance measures and performance goals and such other provisions as the Committee shall determine that are consistent with the terms of this Plan.

**11.3 Value of Performance Units.** Each Performance Unit shall have an initial notional value equal to a dollar amount determined by the Committee, in its sole discretion. The Committee shall set performance goals in its discretion that, depending on the extent to which they are met over the specified Performance Period, will determine the number of Performance Units that shall be settled and paid to the Participant.

**11.4 Earning of Performance Units.** After the applicable Performance Period has ended, the number of Performance Shares earned by the Participant over the Performance Period shall be determined as a function of the extent to which the applicable corresponding performance goals have been achieved. This determination shall be made solely by the Committee.

**11.5 Form and Timing of Payment of Performance Units.** The Committee shall pay at the close of the applicable Performance Period, or as soon as practicable thereafter, any earned Performance Units in the form of cash or in Shares or in a combination thereof, as specified in a Participant's Award Agreement. Any Shares paid to a Participant under this Section 11.5 may be subject to any restrictions deemed appropriate by the Committee. If Performance Units are settled in Shares, then as soon as practicable following the date of settlement the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount.

**11.6 Termination of Employment.** Each Award Agreement shall set forth the extent to which a Participant shall vest in or forfeit Performance Shares following termination of the Participant's employment with or provision of services to the Company or any Affiliate or Subsidiary, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Performance Shares issued pursuant to this Plan, and may reflect distinctions based on the reasons for termination.

## Article 12. Cash-Based Awards and Other Stock-Based Awards

- 12.1 Other Cash-Based and Stock-Based Awards.** The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares. In addition, the Committee, at any time and from time to time, may grant Cash-Based Awards to a Participant in such amounts and upon such terms as the Committee shall determine, in its sole discretion.
- 12.2 Value of Cash-Based Awards and Other Stock-Based Awards.** Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee, in its sole discretion. Each Cash-Based Award shall specify a payment amount or payment range as determined by the Committee, in its sole discretion. If the Committee exercises its discretion to establish performance goals, the value of Cash-Based Awards that shall be paid to the Participant will depend on the extent to which such performance goals are met.
- 12.3 Payment of Cash-Based Awards and Other Stock-Based Awards.** Payment, if any, with respect to Cash-Based Awards and Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash or Shares as the Committee determines.
- 12.4 Termination of Employment.** The Committee shall determine the extent to which the Participant shall vest in or forfeit Cash-Based Awards and Other Stock-Based Awards following termination of the Participant's employment with or provision of services to the Company or any Affiliate or Subsidiary, as the case may be. Such provisions shall be determined in the sole discretion of the Committee and may be included in an agreement entered into with each Participant, but need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination.

## Article 13. Transferability of Awards and Shares

- 13.1 Transferability of Awards.** Except as provided in Section 13.2, during a Participant's lifetime, Options shall be exercisable only by the Participant. Awards shall not be transferable other than by will or the laws of descent and distribution or, subject to the consent of the Committee, pursuant to a domestic relation order entered into by a court of competent jurisdiction; no Awards shall be subject, in whole or in part, to attachment, execution or levy of any kind; and any purported transfer in violation of this Section 13.1 shall be null and void. The Committee may establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable or Shares deliverable in the event of, or following, the Participant's death may be provided.
- 13.2 Committee Action.** Except as provided in Section 6.8(k), the Committee may, in its discretion, determine that notwithstanding Section 13.1, any or all Awards shall be transferable, without compensation to the transferor, to and exercisable by such transferees, and subject to such terms and conditions, as the Committee may deem appropriate; provided, however, no Award may be transferred for value without shareholder approval.
- 13.3 Restrictions on Share Transferability.** The Committee may impose such restrictions on any

Shares acquired by a Participant under the Plan as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed or traded or under any blue sky or state securities laws applicable to such Shares.

#### **Article 14. Performance Measures**

**14.1 Performance Measures.** The performance goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be limited to the following Performance Measures:

- (a) Net earnings or net income (before or after taxes);
- (b) Earnings per share;
- (c) Net sales or revenue growth;
- (d) Net operating profit;
- (e) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);
- (f) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);
- (g) Earnings before or after taxes, interest, depreciation, and/or amortization;
- (h) Gross or operating margins;
- (i) Productivity ratios;
- (j) Share price (including, but not limited to, growth measures and total shareholder return);
- (k) Expense targets;
- (l) Cost reduction or savings;
- (m) Performance against operating budget goals;
- (n) Margins;
- (o) Operating efficiency;
- (p) Market share;
- (q) Customer satisfaction;
- (r) Working capital targets;
- (s) Economic value added or EVA<sup>®</sup> (net operating profit after tax minus the sum of capital multiplied by the cost of capital);
- (t) Completion of securities offering; and

- (u) Completion of corporate refinancing.

Any Performance Measure(s) may be used to measure the performance of the Company, any Subsidiary or Affiliate as a whole or any business unit of the Company, any Subsidiary or Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 14.

- 14.2 Evaluation of Performance.** The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occurs during a Performance Period: (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported financial results, (d) any reorganization and restructuring programs, (e) Extraordinary Items, (f) acquisitions or divestitures, and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.
- 14.3 Adjustment of Performance-Based Compensation.** Awards that are intended to qualify as Performance-Based Compensation may not be adjusted upward. The Committee shall retain the discretion to adjust such Awards downward, either on a formula or discretionary basis or any combination, as the Committee determines, in its sole discretion.
- 14.4 Committee Discretion.** In the event that applicable tax or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards that shall not qualify as Performance-Based Compensation, the Committee may make such grants without satisfying the requirements of Code Section 162(m) and base vesting on Performance Measures other than those set forth in Section 14.1.

## **Article 15. Nonemployee Director Awards**

- 15.1 Awards to Nonemployee Directors.** The Board or Committee shall determine and approve all Awards to Nonemployee Directors. The terms and conditions of any grant of any Award to a Nonemployee Director shall be set forth in an Award Agreement.
- 15.2 Awards in Lieu of Fees.** The Board or Committee may permit a Nonemployee Director the opportunity to receive an Award in lieu of payment of all or a portion of future director fees (including but not limited to cash retainer fees and meeting fees) or other types Awards pursuant to such terms and conditions as the Board or Committee may prescribe and set forth in an applicable sub-plan or Award Agreement.

## **Article 16. Dividend Equivalents**

The Committee may grant dividend equivalents to a Participant based on the dividends declared on Shares that are subject to any Award granted to the Participant with such dividend equivalents credited to the Participant as of the applicable dividend payment dates that occur during a period determined by the

Committee. Such dividend equivalents shall be converted to and paid in cash or additional Shares or Awards by such formula and at such time and subject to such limitations as may be determined by the Committee. Notwithstanding any provision to the contrary, the Committee shall not grant dividend equivalents to a Participant based on dividends declared on Shares that are subject to any Options or SARs granted to the Participant.

#### **Article 17. Beneficiary Designation**

Each Participant under this Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Plan is to be paid in case of his death before he receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such beneficiary designation, benefits remaining unpaid or rights remaining unexercised at the Participant's death shall be paid to or exercised by the Participant's executor, administrator or legal representative.

#### **Article 18. Rights of Participants**

- 18.1 Employment.** Nothing in this Plan or an Award Agreement shall (a) interfere with or limit in any way the right of the Company, any Subsidiary or Affiliate, to terminate any Participant's employment with the Company, any Subsidiary or Affiliate at any time or for any reason not prohibited by law or (b) confer upon any Participant any right to continue his employment or service as a Director or Third-Party Service Provider for any specified period of time. Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company or any Subsidiary or Affiliate and, accordingly, subject to Articles 3 and 20, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company, any Subsidiary or Affiliate.
- 18.2 Participation.** No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.
- 18.3 Rights as a Shareholder.** Except as otherwise provided herein, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

#### **Article 19. Change of Control**

- 19.1 Change of Control of the Company.** Notwithstanding any other provision of this Plan to the contrary, the provisions of this Article 19 shall apply in the event of a Change of Control, unless otherwise determined by the Committee in connection with the grant of an Award as reflected in the applicable Award Agreement.
- (a) **Outstanding Options and SARs exchanged for Replacement Awards.** Upon a Change of Control, if an Award meeting the requirements of Section 19.2 (a "Replacement Award") is provided to a Participant to replace the Participant's then outstanding Options or Stock Appreciation Rights (the "Replaced Award"), then the Replaced Award shall be deemed cancelled and shall have no further force or effect and the Company shall have no further obligation with respect to the Replaced Award.

- (b) **Outstanding Options and SARs not exchanged for Replacement Awards.** Upon a Change of Control, to the extent a Participant's then-outstanding Options and Stock Appreciation Rights are not exchanged for Replacement Awards as provided for in paragraph (a) above, then such Options and Stock Appreciation Rights shall immediately become fully vested and exercisable.
- (c) **Service-Based Outstanding Awards other than Options and SARs.** Upon a Change of Control, all then-outstanding Awards, other than Options and SARs, that are not vested and as to which vesting depends solely on the satisfaction of a service obligation by a Participant to the Company, or any Subsidiary or Affiliate shall vest in full and be free of restrictions related to the vesting or transferability of such Awards.
- (d) **Other Awards.** Upon a Change of Control, the treatment of then-outstanding Awards not subject to subparagraphs (a), (b), or (c) above shall be determined by the terms and conditions set forth in the applicable Award Agreement.
- (e) **Committee Discretion Regarding Treatment of Awards Not Exchanged for Replacement Awards .** Except to the extent that a Replacement Award is provided to the Participant, the Committee may, in its sole discretion:
  - (i) Determine that any or all outstanding Awards granted under the Plan, whether or not exercisable or vested, shall be canceled and terminated and that in connection with such cancellation and termination the holder of such Award may receive for each Share of Common Stock subject to such Awards a cash payment (or the delivery of shares of stock, other securities or a combination of cash, stock and securities equivalent to such cash payment) equal to the excess, if any, of the consideration received by shareholders of the Company in respect of a Share of Common Stock in connection with such transaction over the purchase price per Share, if any, under such Award multiplied by the number of Shares of Common Stock subject to such Award; provided that if such product is zero or less, the Awards shall be canceled and terminated without payment therefore, or
  - (ii) Provide that the period to exercise Options or Stock Appreciation Rights shall be extended (but not beyond the expiration date of such Option or Stock Appreciation Right).

**19.2 Replacement Awards.** An Award shall qualify as a Replacement Award if: (i) it has a value at least equal to the value of the Replaced Award as determined by the Committee in its sole discretion; (ii) it relates to publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control; and (iii) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change of Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 19.2 are satisfied shall be made by the Committee, as constituted immediately before the Change of Control, in its sole discretion.

**19.3 Termination of Employment.** Upon a termination of employment of a Participant occurring in connection with or during the period of two years after such Change of Control, other than for

Cause, (i) all Replacement Awards held by the Participant shall become fully vested and (if applicable) exercisable and free of restrictions, and (ii) all Options and Stock Appreciation Rights held by the Participant immediately before the termination of employment that the Participant held as of the date of the Change of Control or that constitute Replacement Awards shall remain exercisable for not less than one year following such termination or until the expiration of the stated term of such Option or Stock Appreciation Right, whichever period is shorter; provided that if the applicable Award Agreement provides for a longer period of exercisability, that provision shall control.

## **Article 20. Amendment and Termination**

### **20.1 Amendment and Termination of the Plan.**

- (a) Subject to subparagraphs (b) and (c) of this Section 20.1 and Section 20.3 of the Plan, the Board may at any time terminate the Plan.
- (b) Except as provided for in Section 4.4, the terms of an outstanding Award may not be amended to reduce the Option Price of an outstanding Option or to reduce the Grant Price of an outstanding SAR or cancel an outstanding Option or SAR in exchange for cash, other Awards or Options or SARs with an Option Price or Grant Price, as applicable, that is less than the Option Price of the cancelled Option or the Grant Price of the cancelled SAR without shareholder approval.
- (c) Notwithstanding the foregoing, no amendment of this Plan shall be made without shareholder approval if shareholder approval is required pursuant to rules promulgated by any stock exchange or quotation system on which Shares are listed or quoted or by applicable U.S. state corporate laws or regulations, applicable U.S. federal laws or regulations and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

### **20.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events .**

Subject to Section 14.3, the Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.4) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under this Plan. By accepting an Award under this Plan, a Participant agrees to any adjustment to the Award made pursuant to this Section 20.2 without further consideration or action.

### **20.3 Awards Previously Granted.** Notwithstanding any other provision of this Plan to the contrary, other than Sections 20.2 and 20.4, no termination or amendment of this Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under this Plan, without the written consent of the Participant holding such Award.

### **20.4 Amendment to Conform to Law.** Notwithstanding any other provision of this Plan to the contrary, the Committee may amend the Plan or an Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or an Award Agreement to any law relating to plans of this or similar nature, and to the administrative



regulations and rulings promulgated thereunder. By accepting an Award under this Plan, a Participant agrees to any amendment made pursuant to this Section 20.4 to the Plan and any Award without further consideration or action.

## **Article 21. Withholding**

- 21.1 Tax Withholding.** The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum statutory amount to satisfy applicable federal, state, and local tax withholding requirements, domestic or foreign, with respect to any taxable event arising as a result of this Plan but in no event shall such deduction or withholding or remittance exceed the minimum statutory withholding requirements.
- 21.2 Share Withholding.** With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, upon the settlement of Restricted Stock Units, or upon the achievement of performance goals related to Performance Shares, or any other taxable event arising as a result of an Award granted hereunder (collectively and individually referred to as a "Share Payment"), a Participant may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold from a Share Payment the number of Shares having a Fair Market Value on the date the withholding is to be determined equal to the minimum statutory withholding requirement but in no event shall such withholding exceed the minimum statutory withholding requirement. All such elections shall be irrevocable, made in writing, and signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

## **Article 22. Successors**

All obligations of the Company under this Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

## **Article 23. General Provisions**

### **23.1 Forfeiture Events.**

- (a) The Committee may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting of an Award. Such events may include, but shall not be limited to, termination of employment for Cause, termination of the Participant's provision of services to the Company, Affiliate or Subsidiary, violation of material Company, Affiliate or Subsidiary policies, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company, any Affiliate or Subsidiary.
- (b) If any of the Company's financial statements are required to be restated resulting from errors, omissions, or fraud, the Committee may (in its sole discretion, but acting in good faith), but shall not be obligated to, direct that the Company recover all or a portion of any Award granted or paid to a Participant with respect to any fiscal year of the Company the financial results of which are negatively affected by such restatement. The

amount to be recovered from the Participant shall be the amount by which the Award exceeded the amount that would have been payable to the Participant had the financial statements been initially filed as restated, or any greater or lesser amount (including, but not limited to, the entire Award) that the Committee shall determine. In no event shall the amount to be recovered by the Company be less than the amount required to be repaid or recovered as a matter of law (including but not limited to amounts that are required to be recovered or forfeited under Section 304 of the Sarbanes-Oxley Act of 2002). The Committee shall determine whether the Company shall effect any such recovery: (i) by seeking repayment from the Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the Participant under any compensatory plan, program or arrangement maintained by the Company, an Affiliate or any Subsidiary, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices or (iv) by any combination of the foregoing.

- 23.2 Legend.** The certificates for Shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer of such Shares.
- 23.3 Gender and Number.** Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.
- 23.4 Severability.** In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.
- 23.5 Requirements of Law.** The granting of Awards and the issuance of Shares under this Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.
- 23.6 Delivery of Title.** The Company shall have no obligation to issue or deliver evidence of title for Shares issued under this Plan prior to:
- (a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
  - (b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.
- 23.7 Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.
- 23.8 Investment Representations.** The Committee may require any individual receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the individual is acquiring the Shares for investment and without any present intention to sell or distribute such

Shares.

- 23.9 Employees Based Outside of the United States.** Notwithstanding any provision of this Plan to the contrary, in order to comply with the laws in other countries in which the Company, its Affiliates, and/or its Subsidiaries operate or have Employees, Directors or Third-Party Service Providers, the Committee, in its sole discretion, shall have the power and authority to:
- (a) Determine which Affiliates and Subsidiaries shall be covered by this Plan;
  - (b) Determine which Employees, Directors or Third-Party Service Providers outside the United States are eligible to participate in this Plan;
  - (c) Modify the terms and conditions of any Award granted to Employees, Directors or Third-Party Service Providers outside the United States to comply with applicable foreign laws;
  - (d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 20.9 by the Committee shall be attached to this Plan document as appendices; and
  - (e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate applicable law.

- 23.10 Uncertificated Shares.** To the extent that this Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.
- 23.11 Unfunded Plan.** Participants shall have no right, title or interest whatsoever in or to any investments that the Company, its Subsidiaries or its Affiliates may make to aid it in meeting its obligations under this Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative or any other individual. To the extent that any individual acquires a right to receive payments from the Company or any Affiliate or Subsidiary under this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company or the Subsidiary or Affiliate, as the case may be. All payments to be made hereunder shall be paid from the general funds of the Company, or the Subsidiary or Affiliate, as the case may be, and no special or separate fund shall be established, and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in this Plan.
- 23.12 No Fractional Shares.** No fractional Shares shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.
- 23.13 Retirement and Welfare Plans.** Neither Awards made under this Plan nor Shares or cash paid pursuant to such Awards may be included as “compensation” for purposes of computing the

benefits payable to any Participant under the Company's or any Subsidiary's or Affiliate's retirement plans (both qualified and nonqualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant's benefit.

- 23.14 Deferred Compensation.** If a Participant is a "specified employee" as defined under Code Section 409A and the Participant's Award is to be settled on account of the Participant's separation from service (for reasons other than death) and such Award constitutes "deferred compensation" as defined under Code Section 409A, then any portion of the Participant's Award that would otherwise be settled during the six-month period commencing on the Participant's separation from service shall be settled as soon as practicable following the conclusion of the six-month period (or following the Participant's death if it occurs during such six-month period).
- 23.15 Nonexclusivity of this Plan.** The adoption of this Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.
- 23.16 No Constraint on Corporate Action.** Nothing in this Plan shall be construed to: (i) limit, impair, or otherwise affect the Company's or a Subsidiary's or an Affiliate's right or power to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell or transfer all or any part of its business or assets; or, (ii) limit the right or power of the Company or a Subsidiary or an Affiliate to take any action that such entity deems to be necessary or appropriate.
- 23.17 Governing Law.** The Plan and each Award Agreement shall be governed by the laws of the State of Louisiana excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under this Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Louisiana to resolve any and all issues that may arise out of or relate to this Plan or any related Award Agreement.
- 23.18 Delivery and Execution of Electronic Documents.** To the extent permitted by applicable law, the Company may (i) deliver by email or other electronic means (including posting on a web site maintained by the Company or by a third party under contract with the Company) all documents relating to the Plan or any Award thereunder (including without limitation, prospectuses required by the Commission) and all other documents that the Company is required to deliver to its security holders (including without limitation, annual reports and proxy statements) and (ii) permit Participant's to electronically execute applicable Plan documents (including, but not limited to, Award Agreements) in a manner prescribed to the Committee.
- 23.19 No Representations or Warranties Regarding Tax Effect.** Notwithstanding any provision of the Plan to the contrary, the Company, its Affiliates, and Subsidiaries, the Board and the Committee neither represent nor warrant the tax treatment under any federal, state, local, or foreign laws and regulations thereunder (individually and collectively referred to as the "Tax Laws") of any Award granted or any amounts paid to any Participant under the Plan including, but not limited to, when and to what extent such Awards or amounts may be subject to tax, penalties and interest under the Tax Laws.
- 23.20 Indemnification.** Subject to requirements of Louisiana law, each individual who is or shall have been a member of the Board, or a Committee appointed by the Board, or an officer of the

Company to whom authority was delegated in accordance with Article 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his/her own behalf, unless such loss, cost, liability or expense is a result of his/her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individuals may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

## INCENTIVE STOCK OPTION AGREEMENT

### THE SHAW GROUP INC. 2008 OMNIBUS INCENTIVE PLAN

This Incentive Stock Option Agreement (“Agreement”) dated as of **Grant Date** (the date on which the option evidenced hereby was granted) is entered into between **The Shaw Group Inc.** (the “Company”) and **Award Recipient** (the “Optionee”), pursuant to the The Shaw Group Inc. 2008 Omnibus Incentive Plan (the “Plan”).

THE PARTIES HERETO AGREE AS FOLLOWS:

**1. Grant of Option.** In consideration of the services performed and to be performed by the Optionee, the Company hereby grants to the Optionee an option (the “Option”) under the Plan to purchase a total of **# Options** of the Company’s no par value common stock (the “Common Stock”), upon the following terms and conditions:

- (a) The Option is granted under and pursuant to the Plan, a copy of which is attached hereto as Exhibit A and incorporated herein by reference, and the Option is subject to all of the provisions thereof. In case of conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provision(s) of the Plan shall govern. Capitalized terms used herein without definition shall have the same meanings given such terms in the Plan. The Optionee represents and warrants that he or she has read the Plan and is fully familiar with all the terms and conditions of the Plan and agrees to be bound thereby.
- (b) The Option is an incentive stock option or ISO (as defined in the Plan) that is intended to be governed by Section 422 of the Internal Revenue Code, as amended (the “Code”).
- (c) The Exercise Price of the Option is **\$price** per share (the fair market value per share on the date of grant of the Option).

**2. Exercise of Option.**

- (a) Subject to earlier expiration of the Option as set forth below and in the Plan, the Option shall be exercisable for more than a percentage of the aggregate number of shares subject to the Option in accordance with the following schedule:

<b>Vesting Dates</b>	<b>Percentage of Shares that may be Purchased</b>
1 <sup>st</sup> Vesting Date	25%
2 <sup>nd</sup> Vesting Date	50%
3 <sup>rd</sup> Vesting Date	75%
4 <sup>th</sup> Vesting Date	100%

- (b) Notwithstanding any other provision of this Agreement or the Plan, the Option shall not be exercised prior to the date on which the shareholders of the Company approve the adoption of the Plan. The Option may not be exercised unless, at the date of exercise (i) a registration statement under the Securities Act of 1933, as amended, relating to the Shares covered by the Option shall be in effect, or (ii) an exemption from registration is applicable to the shares in the opinion of counsel for the Company.

**3. Termination of Option.** Except as otherwise provided herein, the Option shall terminate:

- (a) upon the expiration of ten (10) years from the date of this Agreement, or if sooner,
- (b) three (3) months after termination of employment of the Optionee, unless employment is terminated (i) as a result of death, disability or retirement, in which case the right of the Optionee or his or her representative to purchase shares of Common Stock hereunder shall expire as of the first anniversary following such termination, or (ii) for "Cause" (as defined in the Plan) in which case the Option shall immediately terminate and no longer be exercisable.

In no case shall the Option continue to vest during the limited period of exercisability following the Optionee's termination of employment provided for in (b)(i) above. During such period, the Option may only be exercised with respect to the number of shares for which it was exercisable at the time of such termination of employment.

**4. Acceleration in the Event of Death of Optionee.** Notwithstanding anything to the contrary in this Agreement or in the Plan, and pursuant to the express authority granted to the Committee under the Plan, the Committee and the Optionee hereby agree that the vesting period for any unexpired Option under this Agreement shall immediately accelerate upon Optionee's death, and in the event of death, any such Option shall be immediately exercisable in full by Optionee's appropriate representative(s).

**5. Rights Prior to Exercise of Option.** The Optionee shall have no rights as a stockholder with respect to the shares of Common Stock subject to the Option until the exercise of his or her rights hereunder and the issuance and delivery to Optionee of a certificate or certificates evidencing such shares.

**6. Miscellaneous.**

- (a) No Representations or Warranties. Neither the Company nor the Committee nor any of their representatives or agents has made any representations or warranties to the Optionee with respect to the income tax or other consequences of the transactions contemplated by this Agreement, and the Optionee is in no manner relying on the Company, the Committee or any of their representatives or agents for an assessment of such tax or other consequences.
- (b) Employment. Nothing in this Agreement nor in the Plan nor in the granting of the Option shall confer on the Optionee any right to or guarantee of continued employment with the Company or any of its Affiliates or in any way limit the right of the Company or any of its Affiliates to terminate the employment of the Optionee at any time.
- (c) Investment. The Optionee hereby agrees and represents that the Option and any purchase of the shares of Common Stock under the Option is for the Optionee's own account for investment purposes only and not with a view of resale or distribution unless such shares acquired pursuant to the Option are registered under the Securities Act of 1933, as amended.
- (d) Stock Issuance. The exercise by the Optionee of the Option granted herein will not become final nor will shares of Common Stock be issued pursuant thereto unless such exercise fully complies with the requirements of the Plan and all applicable federal, state and local laws.
- (e) Necessary Acts. The Optionee and the Company hereby agree to perform any further acts and to execute and deliver any documents, which may be reasonably necessary to carry out the provisions of this Agreement.
- (f) No Transfer. The Option may not be assigned, encumbered or transferred, except by will or the laws of descent and distribution in the event of death of the Optionee or pursuant to a qualified domestic relations order pursuant to the Code or the Employee Retirement Security Act of 1974, as amended.
- (g) Severability. The provisions of this Agreement are severable and if any one or more

provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions, and any partially enforceable provision to the extent enforceable in any jurisdiction, shall nevertheless be binding and enforceable.

- (h) Waiver. The waiver by the Company of a breach of any provision of this Agreement by the Optionee shall not operate or be construed as a waiver of any subsequent breach by the Optionee.
- (i) Binding Effect; Applicable Law. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns, and the Optionee and any heir, legatee, legal representative or assignee as specified in Section 6(f) above of the Optionee. This Agreement shall be interpreted under and governed by and constructed in accordance with the laws of the State of Louisiana.
- (j) Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding.

**IN WITNESS WHEREOF**, the parties to this Agreement have executed this Agreement effective as of the date first above written.

**COMPANY:**

**THE SHAW GROUP INC.**

/s/ Clifton S. Rankin

By: Clifton S. Rankin

Title: Secretary and General Counsel

**OPTIONEE:**

\_\_\_\_\_  
**Grant Recipient**



**FIRST AMENDMENT  
TO  
THE SHAW GROUP INC.  
2008 OMNIBUS INCENTIVE PLAN**

This First Amendment to The Shaw Group Inc. 2008 Omnibus Incentive Plan (the "Omnibus Plan") which was established by The Shaw Group Inc., a Louisiana corporation having its principal office at 4171 Essen Lane, Baton Rouge, Louisiana, 70809 (the "Company") under which Non-Qualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards or Other Stock-Based Awards may be granted from time to time to Participants.

**WHEREAS**, the Omnibus Plan was established to promote the interests of the Company by attracting and retaining Directors and Employees of outstanding ability and to provide Employees an incentive to make material contributions to the success of the Company by providing them with equity based compensation, which will increase in value based upon the market performance of the Company's common stock and corporate achievement of financial and other performance goals;

**WHEREAS**, the Omnibus Plan was approved by the Company's shareholders on January 28, 2009;

**WHEREAS**, the Company wishes to amend certain provisions of the Omnibus Plan pursuant to this First Amendment;

**WHEREAS**, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Omnibus Plan;

**NOW, THEREFORE**, the Omnibus Plan is amended in the following particulars effective as of October 26, 2010:

AMENDMENT

1. The second sentence of Section 4.2 of the Omnibus Plan shall be, and hereby is, deleted and replaced by the following:

"Further, any Shares withheld to satisfy tax withholding obligations on Awards under the Plan shall not be eligible to be returned as available Shares under the Plan. Shares related to Awards under this Plan shall be available again for grant under this Plan if: (i) the Award terminated by expiration, forfeiture, cancellation or otherwise without the issuance of the Shares; (ii) the Award is settled for cash in lieu of shares; or (iii) with the Committee's permission and, prior to the issuance of Shares, the Award is exchanged for another Award not involving Shares."

2. Section 6.2 of the Omnibus Plan shall be, and hereby is, amended by adding the following to the end thereof:

"Notwithstanding any provision to the contrary, an Option shall be subject to at least a three-year service based vesting requirement. This three-year service based vesting requirement shall provide for either (i) no vesting until the completion of the three-year service period at which time the Option shall become 100% vested or (ii) ratable vesting over the three-year service period."

3. Section 7.2 of the Omnibus Plan shall be, and hereby is, amended by adding the following to the end thereof:

"Notwithstanding any provision to the contrary, an SAR shall be subject to at least a three-year service based vesting requirement. This three-year service based vesting requirement shall

provide for either (i) no vesting until the completion of the three-year service period at which time the SAR shall become 100% vested or (ii) ratable vesting over the three-year service period.”

4. Section 8.2 of the Omnibus Plan shall be, and hereby is, amended by adding the following to the end thereof:

“Notwithstanding any provision to the contrary, a Restricted Stock grant shall be subject to at least a three-year service based vesting requirement. This three-year service based vesting requirement shall provide for either (i) no vesting until the completion of the three-year service period at which time the Restricted Stock shall become 100% vested or (ii) ratable vesting over the three-year service period.”

5. Section 9.2 of the Omnibus Plan shall be, and hereby is, amended by adding the following to the end thereof:

“Notwithstanding any provision to the contrary, an RSU shall be subject to at least a three-year service based vesting requirement. This three-year service based vesting requirement shall provide for either (i) no vesting until the completion of the three-year service period at which time the RSU shall become 100% vested or (ii) ratable vesting over the three-year service period.”

6. Section 20.1(b) of the Omnibus Plan shall be, and hereby is, amended to read as follow:

“Except as provided for in Section 4.4, without shareholder approval, the terms of an outstanding Award may not be amended to (i) reduce the Option Price of an outstanding Option, (ii) reduce the Grant Price of an outstanding SAR, or (iii) cancel an outstanding Option or SAR in exchange for cash, other Awards or Options or SARs with an Option Price or Grant Price, as applicable, that is less than the Option Price of the cancelled Option or the Grant Price of the cancelled SAR.”

\* \* \* \* \*

All other definitions and all other rights, terms and conditions set forth in the Omnibus Plan shall remain the same with the same force and effect as originally adopted and approved by the Company’s shareholders.

**IN WITNESS WHEREOF**, the Board of Directors of the Company has executed this First Amendment effective as of the effective date first written above.

**SECOND AMENDMENT  
TO  
THE SHAW GROUP INC.  
2008 OMNIBUS INCENTIVE PLAN**

This Second Amendment to The Shaw Group Inc. 2008 Omnibus Incentive Plan (the "Omnibus Plan") which was established by The Shaw Group Inc., a Louisiana corporation having its principal office at 4171 Essen Lane, Baton Rouge, Louisiana, 70809 (the "Company") under which Non-Qualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards or Other Stock-Based Awards may be granted from time to time to Participants.

**WHEREAS**, the Omnibus Plan was established to promote the interests of the Company by attracting and retaining directors and employees of outstanding ability and to provide employees an incentive to make material contributions to the success of the Company by providing them with equity based compensation, which will increase in value based upon the market performance of the Company's common stock and corporate achievement of financial and other performance goals;

**WHEREAS**, the Omnibus Plan was approved by the Company's shareholders on January 28, 2009;

**WHEREAS**, the Company wishes to amend certain provisions of the Omnibus Plan pursuant to this Second Amendment subject to shareholder approval;

**WHEREAS**, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Omnibus Plan;

**NOW, THEREFORE**, the Omnibus Plan is amended in the following particulars effective as of January 17, 2011:

**AMENDMENT**

1. Sections 4.1(a) and (b) of the Omnibus Plan shall be, and hereby is, deleted in its entirety and replaced with the following subject to shareholder approval of this Second Amendment:
  - (a) Subject to adjustment as provided in Section 4.4 of the Plan, the maximum number of Shares available for issuance under the Plan shall be 6.4 million Shares plus the number of Shares subject to Awards outstanding under the Prior Plans as of Effective Date but only to the extent that such outstanding Awards are forfeited, expire or otherwise terminate without the issuance of such Shares. To the extent that a Share is issued pursuant to the grant or exercise of a Full Value Award, it shall reduce the number of Shares reserved under the Plan by 1.78 Shares, and to the extent that a Share is issued pursuant to the grant or exercise of an Award other than a Full Value Award, it shall reduce the number of Shares reserved under the Plan by 1.00 Share.
  - (b) The maximum number of Shares that may be issued pursuant to ISOs under the Plan shall be 6.4 million Shares."

\* \* \* \* \*

All other definitions and all other rights, terms and conditions set forth in the Omnibus Plan shall remain the same with the same force and effect as originally adopted and approved by the Company's shareholders.

**IN WITNESS WHEREOF**, the Board of Directors of the Company has executed this Second Amendment effective as of January 17, 2011, the date of shareholder approval.